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DIS-INCENTIVE AWARDS: THE FAILURE OF GOOD INTENTIONS

Mary has worked as a budget analyst for the Army for 36 years. She is nominated as "Employee of the Quarter" and receives a plaque and on-the-spot cash award from her commander at a luncheon. Meanwhile Mary's co-workers are whispering their disbelief that she is being honored since she is commonly known to nap at her desk periodically. **Do you think this organization's "Employee of the Quarter" program is perceived to be meaningful by its employees?**

Joe has received "Exceptional" performance ratings for the past four years in his civil service job as an electrical engineer. For the past three years he has received a cash award in conjunction with his performance appraisal. This year he is told that due to budget cutbacks, he will be receiving a Certificate of Appreciation with his Exceptional appraisal. Joe had been planning to use this year's award toward his summer family vacation. The rumor around the office is that his division chief received a big cash award. **Do you think Joe will perceive his Certificate of Appreciation as meaningful recognition for a job well done?**

According to the 1991 "Survey of Federal Employees' Attitudes About Work in the Federal Government" by the United States Government General Accounting Office (GAO), only 35% of the employees surveyed believed they were treated fairly "always, almost always, or most of the time" in the area of nonmonetary awards and recognition. Only 40% believed they were treated fairly in the area of monetary awards and bonuses. The hypothetical cases of Mary and Joe highlight the empirical evidence that indicates that nearly two-thirds of the federal workforce *believe they are being treated unfairly in the area of awards and recognition.* Meanwhile, the federal sector leadership doctrine emphasizes that awarding and recognizing employees is a critical aspect of effective management, and there are certainly a variety of monetary and nonmonetary tools available to the conscientious supervisor. Ironically, however, the well-intentioned programs designed to improve employee satisfaction may actually be eroding morale and producing the *opposite result* of what management intends. An analysis of what conditions actually contribute to employee motivation leads to understanding how employee rewards systems can be designed, communicated, and implemented to improve employee satisfaction and contribute to motivation rather than functioning as a disincentive.

THE CARROT-AND-STICK AND BEYOND

Each component of the federal sector has prescribed regulations and policies guiding its reward and recognition programs. For example, the Army uses Regulation 672-20, Incentive Awards, which defines an impressive array of tangible decorations, awards, and honors, to include Special Act or Service Awards, On-the-Spot Cash Awards, Time Off Awards, Performance Awards, and a variety of Honorary Awards. The stated goal of the Total Army Awards Program described in the regulation is to "foster mission accomplishment by recognizing excellence of both military and civilian members of the force and motivating them to high levels of performance and service." Literally, the term incentive means encouragement, inspiration, motivation, impetus, inducement, stimulus, or catalyst--supporting the Army program's stated purpose of motivating individuals to high levels of performance. The corollary assumption that tangible incentive awards foster workforce motivation is certainly not unique to the Army. In fact, it exemplifies a prevalent management assumption in both the public and private sectors about the nature of what motivates employees to succeed.

In *Asinine Attitudes Toward Motivation*, Harvard professor of psychology and business Harry Levinson graphically challenges this assumption when he describes asking audiences, "What is the dominant philosophy of motivation in American management?" Almost

invariably, the traditional carrot-and-stick philosophy is suggested. When Levinson asks his listeners to close their eyes and develop a mental picture of this phrase, the central image they describe most frequently is a jackass. Levinson then postulates:

> If the first image that comes to mind when one thinks "carrot-and-stick" is a jackass, then obviously the unconscious assumption behind the reward-punishment model is that one is dealing with jackasses who must be manipulated and controlled. Thus, unconsciously, the boss is the manipulator and controller, and the subordinate is the jackass. The characteristics of a jackass are stubbornness, stupidity, willfulness, and unwillingness to go where someone is driving him. These, by interesting coincidence are also the characteristics of the unmotivated employee. Thus it becomes vividly clear that the underlying assumption that managers make about motivation leads to a self-fulfilling prophecy.

This provocative challenge to commonplace understanding of the nature of motivation is further amplified by University of Utah professor Frederick Herzberg in *One More Time: How Do you Motivate Employees?* when he describes a scene where a pet owner holds up a biscuit to get his dog to move. Herzberg contends that in this interaction, the dog wants the biscuit, but it is the owner who wants it to move. Therefore, the owner is the one who is actually motivated, and the dog is the one who merely moves. He relates this process to organizations which routinely wave a variety of biscuits in front of employees to get them to move. Thereby *movement* becomes a function of either fear of punishment or failure to get a tangible reward. Herzberg contrasts merely moving employees with *actually motivating* them, which he states is "a function of growth from getting intrinsic rewards out of interesting and challenging work." Both Levinson's and Herzberg's vivid analogies demonstrate that the paradigm of management reward practices exemplified by carrots and dog biscuits is essentially counterproductive to the process of employee motivation and can actually function as a disincentive.

SO WHAT DO EMPLOYEES WANT?

Rewards fall into two categories--extrinsic and intrinsic. Extrinsic rewards are tangible and usually given to employees as a function of organizational policy in such forms as money, certificates, plaques, and letters of appreciation. These rewards are usually periodic and are frequently tied to performance rating cycles. Intrinsic rewards, on the other hand, are intangible, continuously derived from the relationship between the employee and the process of the work itself. Since motivation is also an internally derived process, the organization seeking to enhance employee motivation focuses on enhancing intrinsic rewards. Specifically, according to Herzberg, the intrinsic factors inherent to motivation are *achievement, recognition for achievement, the work itself, responsibility*, and *growth*. Generally, intrinsic rewards are more desired and valued by individuals than tangible ones since they contribute to the higher order needs of self-esteem and self-actualization.

This perspective is supported by research from both the private and public sectors. A 1994 survey by Perspective Resources of human resource executives indicated that there was an increased emotional need by employees for positive feedback and recognition. A survey cited in the January 1994 American Printer, employees indicated they place a higher importance on *being involved* and *appreciated*: they want to gain personal satisfaction from their jobs, not strictly monetary value. In contrast, the supervisors in the same survey perceived that employees are more concerned with compensation issues. The trend is similar in the public sector. In a recent survey by the Minnesota Department of Natural Resources, 68% of the respondents said it was important to believe that their work was appreciated by others, and 63% agreed that most people would like more recognition for their work. Likewise in the 1991 GAO survey of federal employees, 57.7% stated that the opportunity to work on challenging assignments was an important reason to stay, 64.5% cited the importance of the opportunity to apply abilities on the job, and 64.5% identified the opportunity to work freely on their own was important. In contrast, only 36.6% said that chances of receiving financial rewards (other than within grade increases or promotions) for outstanding job performance was important, and only 35.5% indicated that their total pay in relation to what they put into their work was important. This survey data supports

Herzberg's contention that individuals are more motivated by the intrinsic rewards of challenging work, responsibility, growth, achievement, and finally appreciation and recognition for achievement, which may or may not be monetary.

In context of this data, extrinsic rewards--which tangibly demonstrate appreciation and recognition-- become a minor subset of the whole process of employee motivation, and monetary rewards are an even lower order subset of extrinsic rewards. And yet the prevailing carrot-and-stick or dog biscuit management paradigms of what promotes motivation are premised on extrinsic rewards. Incentive reward systems which focus exclusively on tangible forms of recognition are clearly not addressing employees' needs for higher order validation, and ironically, the components of motivation most desired by employees are also the *most advantageous to the organization*. Reorienting management practices toward providing challenging work, promoting employee development and growth, and encouraging employee responsibility, as the controlling ideas of an organization's incentive awards system will not only most appropriately meet employee expectations, it will be most conducive to organizational success. Sounds easy? Unfortunately, it's not. A perception gap seems to exist between what supervisors believe will motivate employees and what employees say they value, as indicated in the **American Printer** survey. This dissonance is underscored in the federal sector by the majority of employees who expressed dissatisfaction with their awards systems. Clearly the gap cannot be closed until management is willing to take a more dimensional approach to incentive awards systems since the dynamic relationship between intrinsic and extrinsic rewards and their linkage to employee expectations does not support a flat, policy-oriented approach to designing a system. Instead, a flexible, inclusive management process which is *employee-centered* rather than *policy-centered* will synthesize the key motivational drivers.

WHAT IS AN EMPLOYEE-CENTERED REWARDS SYSTEM?

The key to transforming an organizational reward system from being policy-centered to being employee-centered is inclusion. In **High-Involvement Management**, Edward E. Lawler III observes, "The most important changes for management style are those concerned with education and the desire of employees to have a say in the events and decisions that affect their lives." Lawler then suggests that there are four main components to any credible approach to employee inclusion: *power, knowledge, information*, and *rewards*. Inclusion and participation only works when employees are given the *power* to make certain decisions, the *knowledge* and *information* to make them effectively, and *rewards* for their efforts. The power, knowledge, and information components are what drive intrinsic rewards, whereas the fourth--reward for achievement--is the only extrinsic aspect. In an employee-centered reward system the development and selection of intrinsic and extrinsic reward practices to support the four motivational drivers must include an understanding of employee expectations. As noted in **Managing Workforce 2000: Gaining the Diversity Advantage**, "What is rewarding to different people varies greatly depending on their background, expectations, values, and needs. The value of money, response to public recognition, the desire for peer and professional respect, and the need for challenging assignments all vary according to lifestyle and culture." Quite simply, the reward loses value to motivate or validate if it is selected to meet the supervisor's needs and expectations rather than the employees'.

A variety of intrinsic reward techniques are available to support the three motivational drivers of power, knowledge, and information. Managers seeking to motivate employees by sharing power, can consider removing certain control measures while still retaining accountability, and by expanding signature and decision-making authority. An employee's job can even be redesigned to increase responsibility. Sharing power can also be demonstrated in more minor ways, such as by routinely asking for employees' opinions, then implementing suggestions when appropriate, and giving credit to the employee. Supervisors

can also demonstrate confidence in employees by asking them to attend an important staff meeting or to brief the "big boss" in the supervisor's place. Assigning employees to an important, high visibility project is also an effective method to build self-esteem and validate the employees' worth to the organization. Of course, sharing power can be counterproductive if not supported by commensurably increased levels of knowledge and information so that the employee can effectively operate in an empowered environment. Supervisors can support employee growth by emphasizing and resourcing education and training, offering cross-training opportunities, making available a variety of guest speakers and videos, and even ordering pertinent journals and magazines for the workplace. As management guru Tom Peters aptly states, "Companies that don't encourage education of all kinds are dumb." The "big picture" of the organization should be shared on a continuous basis, and the linkages to specific tasks should be described. Assigning employees to new tasks and supporting this practice with appropriate training, time, and feedback is a highly effective method of promoting employee growth. The continuous sharing of information, whether by e-mail, distribution, staff meetings, bulletin boards or hallway conversations is also a singularly powerful demonstration of management trust in the value and capacity of their employees. These specific techniques are most effective when equally available to the largest number of employees by being seamlessly and continuously deployed throughout the organizational culture. It is not enough, however, to just generally demonstrate these practices--they must also be aligned with organizational objectives and employee expectations. While the connection of mission objectives with quality improvement is outside the scope of this discussion, considering the linkage to employee expectations is imperative when implementing an employee-centered reward system. In order to incorporate individual expectations and validate the credibility of management reward practices, supervisors need to communicate in specific terms with their employees to elicit their expectations.

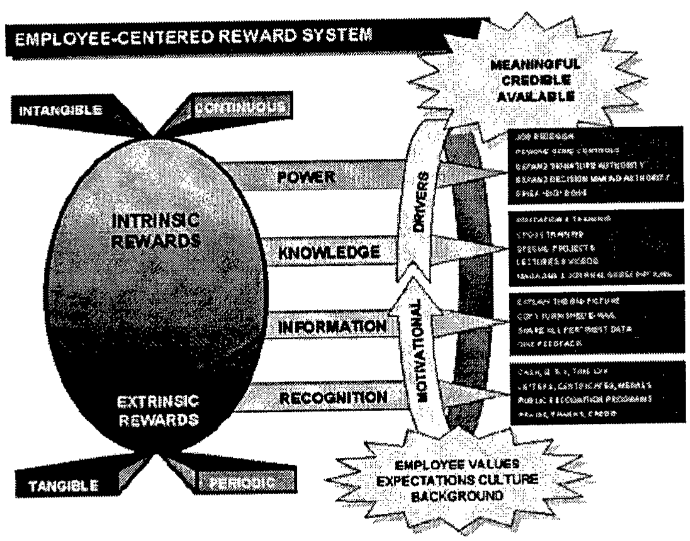
The same methodology should apply when designing extrinsic rewards. Since these are more tangible, periodic, and public it is particularly important that they are perceived as being credibly and fairly bestowed. As shown in the hypothetical cases of Mary and Joe, if the extrinsic reward system is not perceived as being credible and fair by the workforce, the effort will have either no effect, or worst case, a negative effect. The Employee of the Quarter program on Mary's installation is unlikely to produce a credible form of recognition if the workforce perceives that the "honor" is gratuitously bestowed to undeserving candidates. Likewise Joe's frustration with not receiving a cash award was likely to be attributed to his perception--because office rumors do create workforce perceptions--that his boss received one even under allegedly austere fiscal conditions. A successful extrinsic reward system can minimize the risk of being perceived as unfair if it is flexible enough to meet a variety of expectations while also linked to stated objectives. These linkages can be demonstrated by ensuring the reward is timely in relationship to the accomplishment; that the perceived value of the reward varies according to the impact of the act; and that the performance is perceived to be linked to organizational objectives. Another method to reinforce credibility in a reward system is to include employees--either individually, by work groups, or by cross-functional process action teams--in some phase of designing an organization's extrinsic reward system. They can recommend the selection of reward tools, suggest the relative value of the reward in relation to the accomplishment, and develop criteria for certain rewards.

Most organizations in the public sector already have policies or regulations such as the Army's 672-20 which describes a set of formal extrinsic rewards available to the workforce. However well-conceived these recognitions are, organizations that limit themselves to the use of these formal methods will probably be unable to fully meet the strongly-stated need by employees to feel appreciated and recognized for their efforts. A wider menu of both formal and informal choices will ensure the necessary flexibility to meet a variety of expectations and the simple human emotional need for appreciation indicated in many of the surveys cited in this discussion. For example, the importance of simple expressions of praise and recognition should not be underestimated and should be frequently and sincerely

demonstrated. As Ken Blanchard, author and management consultant, observes: "Good thoughts not delivered mean squat." Face-to-face thank you's, phone calls, e-mail messages, recognition at staff meetings, cards and notes are just a few of the ways to show appreciation for a job well-done. More formal demonstrations include the public presentation of the many types of formal awards found in documents such as the Army regulation, as well as organizational programs such as Employee of the Quarter, Suggestion Programs, or Safety Awards programs. As a final note, employees do not necessarily value cash awards more highly than honorary ones, as indicated in the GAO survey wherein only about one-third of federal employees regarded financial awards as a motivating factor. In fact, cash awards, when routinely given actually lose their value as a reward and become an expectation, as in the case of the hypothetical Joe who was already planning to spend his next reward. In this context, the reward becomes perceived as compensation, which is an entitlement, not a gift. As Peter Drucker observes, "Economic incentives are becoming rights rather than rewards." This admonition notwithstanding, judicious use of cash rewards can be an appropriate form of recognition and appreciation when varied with other menu choices.

PUTTING IT ALL TOGETHER

Finally, inherent to any design of an organizational reward system must be *meaning, credibility,* and *availability*. If all three of these qualities are not evident, the system will fail in its fundamental intent, which is to motivate employees to higher levels of satisfaction and performance. Without meaning and credibility the management action will be perceived as hollow and gratuitous, and can lead to an erosion of trust in



management's honesty. Without availability to the largest number of employees, the actions can be perceived as being unfair, which according the 1991 GAO study is the prevailing attitude among federal employees.

The preceding graphic model depicts the dynamic relationship of these key characteristics, as well as those of employee values, expectations, culture, and background, with the four motivational drivers--power, knowledge, information and recognition. The model also translates these concepts into concrete examples of intrinsic and extrinsic demonstrations of the *employee-centered rewards system*. This model can facilitate evaluation and redesign of organizational reward systems that, no matter how well intentioned, act as disincentives due to an imbalance between use and perceived value of extrinsic and intrinsic rewards. For example, if Mary's commander in the opening scenario wants to salvage the credibility of the Employee of the Quarter program, he or she could involve a team of employees in the program redesign, linking honors to specific, meaningful criteria and ensuring widest possible availability to the workforce. To restore Joe's morale, after having a frank

conversation about cash reward situation, his supervisor can initiate a conversation about Joe's goals and expectations, seeking ways to reinforce his value to the organization. They could develop a plan which could include a special project, professional development, or an opportunity to learn a new skill. The most obvious benefit to Joe's workplace would be a more skilled, more satisfied employee, who potentially will increase his level of contribution. Not until management shifts beyond the paradigm that employees are primarily motivated by extrinsic financial rewards, can organizational reward systems credibly be transformed from policy-centered to employee-centered. Moving from a primarily static, tangible system to a more dynamic, intangible one, however , can be arduous and time-intensive, particularly since by its nature, it will be constantly evolving. Nevertheless, in terms of the benefits experienced by organizations that can inspire employees to higher levels of performance, can we really afford to expend our limited resources toward reward systems that do any less?

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